

## **CHAPTER 10: OVERSEAS CONDITIONS OF SERVICE AND THEIR IMPLICATIONS FOR EFFICIENCY AND EFFECTIVENESS: THE INSTITUTIONAL FRAMEWORK**

10.1 The terms and conditions of employment of Australian Government officers overseas clearly have important implications for DFAT's efficiency. The Committee received evidence on this issue relating to the institutional framework for overseas conditions of service and to several specific conditions. The institutional framework is discussed in this Chapter while the matters related to specific conditions of service are dealt with in Chapter 11.

### **The institutional framework for conditions of service**

10.2 Terms and conditions of employment for officers of the Australian Public Service serving overseas are determined under section 82D of the *Public Service Act 1922* by the Overseas Conditions Branch of the Department of Industrial Relations (DIR). A similar function is conducted for officers of the Australian Defence Force under the *Defence Act 1903*. DIR took over this role from the Public Service Board when the Board was abolished in the machinery of government changes of 1987.

10.3 In its written submission to the Committee, DIR described its role as to:

- . enable the conditions to be most effectively related to domestic conditions and also to the wider industrial relations interests for which the Department of Industrial Relations is responsible;
- . provide a disinterested authority to settle issues, after full consultation, for a range of employing agencies; and
- . provide a single point of responsibility and accountability for decisions (Evidence, p. S541).

10.4 The Department described its broad policy framework as:

The objective of the Department of Industrial Relations is to determine conditions overseas which reflect employment conditions and standards of living in Australia and which compensate for the additional costs that staff incur in undertaking duty overseas in order to enable overseas posts to be properly and adequately staffed (Evidence, p. S544).

This is generally understood to mean, DFAT said, that an officer should be neither advantaged nor disadvantaged by overseas service (Evidence, p. S575).

10.5 DIR has the authority to make overseas conditions determinations which are binding on overseas operating agencies and their officers. These are published in Volume

9 of the *Personnel Management Manual* (PMM), a lengthy and complex document. The Department exercises its authority in consultation with the overseas operating agencies and representatives of their staff.

10.6 The consultative arrangements are still officially governed by a Cabinet decision in 1960 which ordered the creation of a Policy Committee on Conditions of Service (PCCOS) and an Operational Committee on Conditions of Service (OCCOS). PCCOS was to operate at departmental secretary level and discuss broad policy issues while OCCOS representatives were to be drawn from operational areas of the major overseas operating agencies and to discuss matters of detail. Both bodies were to advise the Public Service Board, and now DIR, on overseas conditions of service matters. However, the Committee was informed that in 1986, in response to pressure from the unions and the Joint Council of the Australian Public Service, OCCOS was effectively replaced by the Consultative Forum on Overseas Conditions of Service, which included union representation. The Committee also heard that PCCOS has not met since 1986 (Evidence, p. S74, 567). The new Forum meets quarterly.

10.7 Despite the consultative arrangements, it nonetheless falls to DIR alone to make the final decisions on conditions of service, decisions which impact directly on the operations of other agencies like DFAT. The Committee heard argument to the effect that this should be changed. Various participants in the process argued that separating the control of overseas operations from the control of overseas conditions of service:

- . makes the conditions of service too complex, too inflexible and too slow to change;
- . allows conditions to be varied with insufficient consultation; and
- . places control of conditions of service in the hands of only one of the parties involved.

10.8 DFAT, for example, told the Committee:

The prescriptive approach which DIR is obliged under current arrangements to adopt denies a vital link between operational requirements and overseas conditions of service (Evidence, p. S75). ...

Under the current arrangements DFAT must cope with the operational consequences of conditions of service issues, but with little opportunity to have a substantive input into determining those conditions (Evidence, p. S77).

The Public Sector Union (PSU) complained that "one of the players is also the umpire" (Evidence, p. 105).

10.9 The system is one in which there is no easy access for consideration of individual cases and grievances. The involvement of several departments and agencies in the process can greatly hamper and delay the resolution of problems affecting individuals.

Although there is a right of formal complaint about individual grievances to the Merit Protection and Review Agency, this is often not an appropriate mechanism for resolving the difficulties facing individual officers in relation to their conditions of service.

10.10 It was suggested to the Committee that responsibility for overseas conditions of service be moved from DIR to an independent bureau. A range of possible structures for the proposed bureau were suggested, mostly involving a body governed by representatives of the main stakeholders. Several witnesses also urged on the Committee the desirability of devolving more responsibility in conditions of service matters to operating agencies.

10.11 Complaints of complexity, inflexibility, inadequate consultation and mean-spirited central agency control are not new in the overseas conditions area. The Senate Standing Committee on Foreign Affairs and Defence in its 1979 report of its review of Australia's overseas representation commented:

The determination of conditions of service for officers serving in Australian posts overseas is a complicated process which is constantly under review ... There is no doubt that inequities exist and that regulatory authorities are often not able to respond to rapidly changing circumstances as quickly as desirable. (SSCFAD 1979, p. 57).

10.12 The Foreign Affairs and Defence Committee commented critically on the consultative arrangements then in place. In particular, it urged the regulatory authorities to give due recognition and consideration to the input from the departments and staff associations with first-hand knowledge of overseas operating conditions so that a "co-operative effort based on widely canvassed facts would result in fair and appropriate treatment for Australia's representatives overseas" (SSCFAD 1979, p.60).

10.13 In his 1988 review of his earlier report on Australia's overseas representation Professor Harris noted that, despite recent institutional and allowances changes, "there seems to be an above normal level of unease among officers about conditions of service" (Harris 1988, p. 37). Professor Harris referred to "a belief, valid or not, that the overseas service has borne a disproportionate share of the government's economy measures, and that decisions affecting conditions of service are being made more on the basis of cost savings than on principle" (Harris 1988, p. 37).

10.14 This Committee has found itself revisiting not only the issues raised for attention in 1988 by Dr Harris but also those referred to by the Senate Foreign Affairs and Defence Committee in 1979. The submissions of both the Public Sector Union (PSU) and DFAT made the point explicitly that the problems and issues raised 12 years ago remain today (Evidence, pp. S302 and S78). This persistence of similar complaints over a long period may indicate that, to a considerable degree, the problems are intractable. The Committee was concerned, however, to establish whether any feasible alternatives existed.

## **Stakeholders' views**

### *DFAT and other overseas operating agencies*

10.15 DFAT commented in its initial written submission that it was unconvinced that the existing machinery of government arrangements are the most efficient and cost-effective way for the Government to set and manage overseas conditions of service (Evidence, p. S78). Particular concerns raised by the Department during the inquiry were:

- . the need for flexibility to enable overseas operating agencies (OOAs) to react quickly to changing needs at posts, and not to have to go through a "prescriptive and excessively bureaucratic" determination process (Evidence, p. S77); and
- . that any new conditions of service approved by DIR have to be funded and "[a]t present,...one-off amendments are not supplemented by the Department of Finance" (Evidence, p. S77).

10.16 One of the major complaints raised with the Committee under this term of reference, a point made with some force by DFAT itself, is that the overseas operating agencies such as DFAT have no discretion over the conditions they are able to offer their staff. It was suggested that this ran counter to the general trend of devolving managerial responsibility to line departments and was inefficient in preventing departments faced with variable demand for particular overseas postings from tailoring conditions packages sufficient to attract suitable officers to difficult posts. DFAT told the Committee:

In terms of conditions of service issues, we see the need to have the flexibility built into the arrangements to allow us to tailor conditions of service overseas to the needs of particular officers (Evidence, p. 756).

10.17 The Department suggested that one possible improvement would be the establishment of an autonomous interdepartmental bureau with responsibility for setting policy on overseas conditions. At the same time, OOAs would be given greater responsibility in the administration of the conditions (Evidence, p. S78). DFAT saw the bureau as including representation not only of the major OOAs but also of the Department of Industrial Relations to ensure consistency with other public service conditions and the Department of Finance to ensure that financial implications and funding arrangements were taken into consideration. The Department was non-committal about whether the bureau should include representation from either the staff associations or a spouses' organisation, but strongly supported consultation with these groups (Evidence, p. 39).

10.18 In its summary submission to the Committee in September 1992, the Department set out a specific proposal for an independent bureau to replace the parts of DIR currently responsible for overseas conditions of service. The proposal was that the bureau set and administer service-wide core conditions for all overseas officers (Evidence, p. S1251A). The core conditions which would be central matters for consideration by the bureau would be "maintaining the real value of disposable salaries against the local cost of living in a post and, secondly, meeting the additional cost associated with an overseas posting, and that includes education, personal security, travel, storage and removals" (Evidence, p. 184). The bureau would also consult with the OOAs about devolved conditions to encourage consistency and make decisions in individual cases which did not fit within the rules but were nonetheless desirable (Evidence, p. 755). As noted below,

other evidence supporting some form of bureau came from FATA, FSFA, PSU and the DFAT Reform Group.

10.19 The other major OOAs consulted by the Committee - Austrade, DILGEA, the Department of Defence, and the Australian Defence Force - were less critical of the present arrangements. David Barritt-Eyles, Senior Assistant Secretary, Human Resources, in the Department of Defence, told the Committee "there have been occasions when we have wished for quicker decisions ..." (Evidence, p. 186) but the OOAs other than DFAT generally seemed satisfied with DIR's management of the present system. With the exception of Austrade, opportunities for overseas posting in these organisations are infrequent and are therefore sought after. Few if any of their officers could be classified as career overseas officers and conditions of service tend not to be a major factor in the decisions of their officers to seek what will probably be the only overseas posting in their careers (Evidence, pp. 185-87).

10.20 Austrade, which does operate a career overseas service, told the Committee that it determines its terms and conditions subject to DIR's confirmation that they are broadly within Government guidelines. Austrade stressed that it seeks people with particular skills and claims to have coped reasonably well within the existing system although it would support changes in the direction of more flexibility, simplicity and transparency (Evidence, p. 190).

10.21 Representatives of the OOAs generally appeared to appreciate DIR's role as an honest broker in setting overseas conditions (Evidence, pp. S78, 185-190). Mr Barritt-Eyles told the Committee that any proposed new system would have to have a "guarantee of an improvement in the way they [setting overseas conditions] are done" (Evidence, p. 187).

#### *DFAT staff*

10.22 The Public Sector Union (PSU), the registered union representing some 1399 members in DFAT (Evidence, p. S292), criticised the dominant role of DIR in the current system, citing inadequate consultation, over centralisation and arbitrary decision-making. The PSU recommended that the overseas conditions package be placed in an award format; a demand which it had been pressing since at least November 1990 (Evidence, p. S304). The PSU saw a range of options for the award format: a specific award for overseas conditions; an addition to the existing General Conditions of Service Award; or an agreement referred for certification to the Australian Industrial Relations Commission under section 115 of the *Industrial Relations Act 1988*.

10.23 The PSU suggested that the award should contain only the "spine" conditions - the core or basic elements which make up the framework of the package of conditions - which could then be changed only after consideration by the independent arbiter, the Industrial Relations Commission. The award format was seen as offering the benefits of applying the key conditions across all OOAs while still providing desirable flexibility to bring in different conditions as necessary (Evidence, p. 103).

10.24 The PSU also expressed strong support for better consultative mechanisms, seeking a situation "where all the players in the game are represented" (Evidence, p. 105). It saw a tripartite agency to regulate overseas conditions of service as "a way of achieving this goal" (Evidence, p. S304). In particular, the PSU criticised the limited role of the Consultative Forum on Overseas Conditions of Service (CFOCS), which acts only in an advisory capacity to DIR. The Union described the Forum as "little more than a talkfest", (Evidence, p. S303) essentially because DIR convenes and chairs the meetings, and is not required to take its advice into account in its determinations. DFAT had also commented that advice from CFOCS was "frequently not accepted" (Evidence, p. S74). The PSU suggested that CFOCS might be made a sub-committee of the Joint Council of the Australian Public Service, the body established by the *Public Service Act 1945* as the joint staff and management consultative body (Evidence, p. S303). The PSU saw the Joint Council as a body in which consultation between the OOAs, the central agencies and the unions could appropriately take place (Evidence, p. 105).

10.25 The PSU also supported greater devolution of authority for overseas conditions. The Union argued that decision-making should be "further placed into the hands of people who are closest to the knowledge that you need to have to make appropriate decisions and who have the ability to make those decisions stick once they are made" (Evidence, p. 104).

10.26 The Committee also took evidence on conditions of service from the Foreign Affairs and Trade Association (FATA), the Foreign Service Families Association (FSFA) and the DFAT Reform Group.

10.27 FATA described the current system as "excessively regulatory and centralist and ... running against the tide of agency autonomy and the thinking about enterprise bargaining" (Evidence, p. 126). The Committee noted, however, that FATA referred approvingly to the way in which DFAT and DIR had negotiated a special arrangement for reunion between an officer posted to Port Moresby and his spouse who chose to stay in Australia because of concerns about security conditions in Papua New Guinea (Evidence, pp. 125-6). It therefore appears that the current system, while at times not as quick as agencies may have liked, has shown itself capable of appropriate speed and flexibility in emergencies. (The PSU complained, however, (Evidence, p. 204) that it had not been consulted about the Port Moresby allowance.)

10.28 FATA endorsed the concept of a bureau setting the broad parameters of policy and acting as a forum for the exchange of ideas. FATA also urged that at the departmental level, where it would like many of the conditions to be worked out in practice, consultations would take place not only with the registered staff associations but also with the staff themselves (Evidence, p. 127).

10.29 FSFA similarly supported the idea of a bureau in the expectation that it would lead to a better standard of setting of conditions overseas by including:

people who actually know what it is like to live under these conditions.  
We do not believe that this happens with DIR (Evidence, p. 193).

10.30 The DFAT Reform Group was critical of DFAT's proposal for an interdepartmental bureau, expressing concern that the Department would seek to use its pre-eminent overseas role to dominate the bureau's operations (Evidence, p. S966). Instead, the Group favoured the creation of a separate Directorate of Overseas Management, within the Minister for Finance's portfolio, which would include a Conditions of Service unit. The unit would, however, comprise representatives of the same agencies that DFAT had proposed for its bureau (Evidence, p. S966).

10.31 The Reform Group also argued strongly for a package approach to conditions of service. It suggested that its proposed Directorate of Overseas Management should set differential package 'band levels' for each level of officer. Individual OOAs would then negotiate with officers for a package of conditions that met their requirements for each posting (Evidence, p. S966).

#### *The private sector*

10.32 The Committee took evidence from Dr Peter Rogers, Managing Director of Employment Conditions Abroad Limited (ECA), a private sector overseas conditions specialist. ECA has been engaged in a pilot study with DIR to compare external price data sources used for setting levels of allowance with the data DIR collects itself. While Dr Roger's evidence was mostly directed at the content and calculation of the conditions of service package, discussed below, he argued that the Australian Government's system is too complex and that it "should be geared to the special requirements of the Foreign Service and not tied to a system which aims to cover all Government employees" (Evidence, p. S756).

10.33 Dr Rogers told the Committee that private sector employers posting an employee overseas would usually negotiate a package of mutually acceptable conditions direct with the employee. Unions would not normally play a role in such negotiations, because they would take place outside of an award ambit (Evidence, p. 392). According to Dr Rogers, a private company sending the occasional employee overseas could often afford to tailor a package to the needs of the individual. However, where the requirement for such postings was frequent, there was a greater need for standardisation, especially of a well defined core policy for salary and allowances. Some flexibility could exist around that core (Evidence, pp. 392-3). Dr Rogers advocated changing the current public service system to provide the maximum possible decentralisation of conditions to individual agencies so that they "can then determine the special requirements that they may have which will be different in each location" (Evidence, p. 394).

#### *The Department of Industrial Relations*

10.34 DIR provided the Committee with considerable material explaining its role and the philosophy behind its determinations. It also sought to demonstrate as the inquiry proceeded that it was making determined efforts to respond to the concerns of the OOAs and their staff. Many long-standing issues, which had been either deferred or given low priority, were resolved. In its final written submission to the Committee, DIR drew the Committee's attention to a comment by Ian Porter, Assistant Secretary, Personnel, in DFAT, at one of the Committee's later hearings: "over the last six months or so the

response time and the flexibility shown [by DIR]...are pointing clearly in the right direction in terms of having these more flexible and responsive conditions of service packages' (Evidence, pp. 759, S1280).

10.35 It is possible that the forum for publicising of complaints which this inquiry provided might have encouraged DIR to respond more quickly and effectively to those complaints than it would have at another time. The appointment of a senior officer of DFAT as Secretary to DIR during the period of the inquiry might also have directed more attention to overseas conditions of service. The changes that have occurred might simply have reflected the early stages of the introduction to the Australian Public Service of workplace bargaining. The Minister for Industrial Relations, Senator Cook, wrote to the Minister for Foreign Affairs and Trade, Senator Evans, early in 1992 to propose that the two departments begin discussions on the impact on the overseas service of workplace bargaining (Evidence, pp. 126, 168). In any case, DIR rejected the arguments for radical change in institutional arrangements, suggesting that it was actively pursuing changes which would meet the future requirements of its clients.

10.36 DIR pointed to the ways in which it seeks to gain input into its processes from officers serving overseas, such as:

- an intensive overseas visits program, to enable it to review the operations of its conditions package at posts and to institute changes in appropriate circumstances (Evidence, pp. 162-3, S1280); and
- the regular secondment of DFAT officers to its Overseas Conditions Branch, who contribute insights from their experience as career overseas officers (Evidence, p. S543).

10.37 DIR defended the operation of the Consultative Forum which, it said, "is an important means for enabling the Department to assess and discuss the views of the different players on particular proposals, to respond to the concerns of agencies and associations, and to report on progress with outstanding matters" (Evidence, p. 162). DIR emphasised that it seeks to consult fully with agencies and unions about changes to overseas conditions (Evidence, p. S1280).

10.38 DIR informed the Committee that a recent stress on devolution, identified as a priority by its Minister, had already produced results and detailed 22 powers previously exercised centrally that were now exercised by agencies (Evidence, pp. S562-3). These powers included to authorise additional fares in compassionate circumstances, to approve assistance with medical expenses, and to reimburse officers for losses or costs associated with an overseas posting. DIR also claimed to have set in train consultative mechanisms directed at identifying core conditions, and a process and timetable for advancing the devolution of other conditions.

10.39 DIR informed the Committee in November 1992 that it had received a formal proposal for an overseas conditions award from the PSU and that this was being examined in the context of the devolution proposals. It also stated that general agreement



had been achieved between agencies and the Department of Finance about the structure of future funding arrangements (Evidence, p. S1278-9).

10.40 In summary, DIR stated:

As well as seeking to increase operational flexibility for agencies, in our view devolution would aim to balance the need for the maintenance of a fair, reasonable and coherent conditions package for staff, with the objective of ensuring that decisions about overseas conditions can be taken in a timely manner and by the most appropriate body. To these ends, some basic conditions issues would continue to be determined centrally, while others would be set and administered at agency level subject to specified policy and legal parameters (Evidence, p. S1278).

10.41 DIR argued against the establishment of an independent agency to set and administer overseas conditions of service. The Department argued that this proposal would detract from ministerial responsibility (Evidence, p. 169). It also pointed to the advantages of retaining a link between overseas and Australian conditions of service of Australian Public Service officers, a link that it currently provides (Evidence, p. 169). DIR, while acknowledging the need to consult unions, questioned the propriety of direct union involvement in decision making on conditions of service as proposed in some of the suggested models for an independent bureau (Evidence, p. 169).

#### *The Committee's view*

10.42 The Committee sees little merit in DIR's first argument. Overseas conditions were managed for many years by the Public Service Board which was not subject to ministerial direction. The other arguments are more substantial. A more important argument still for leaving control of overseas conditions with DIR, raised by the DFAT Reform Group and OOAs other than DFAT, is the importance of independent review. To give DFAT or its staff the final say, or even a dominant position, in the setting of overseas conditions of service would create an obvious conflict of interest, a conflict recognised by DFAT itself in its first written submission in which the Department commented that it did "not seek itself to have total control over its conditions of service" (Evidence, p. S78). This is a problem that limits the scope for effective devolution in the conditions of service area where there will always be a need for an independent, arms-length arbiter. However, it is clear that wide consultation with interested parties and the involvement of officers with first hand experience of overseas service are two essential components of an effective process for setting overseas conditions. Both components appear to have been absent to some degree in the processes applied in the Australian Public Service to date.

10.43 There ought to be scope for a compromise which would increase consultation and involve more officers with first hand experience, but still retain the independence and integrity of the process. The Committee believes that the establishment of an independent group to determine overseas conditions of service could represent such a compromise if it were to be located within the Industrial Relations Portfolio, serviced by and largely staffed from the Department of Industrial Relations. This would differ from the present arrangements in two main ways:

ad hoc secondments of DFAT officers to DIR would be replaced with a requirement that the OOAs and the Department of Finance be involved in the operational aspects of the setting of conditions of service;

that requirement would take the form of the membership of officers of the OOAs and the Department of Finance in the part-time executive of the body which determines conditions although some secondment of full-time staff from the OOAs to the body might continue.

10.44 This structure would give the OOAs a greater capacity than they currently enjoy to influence priorities in the overseas conditions area and would allow managerial responsibilities for overseas service to be better matched to the setting of conditions. It would reduce the scope for the emergence of unnecessary differentials between the conditions applying in different agencies, as could easily occur with the present stress on devolution. It would also have the important advantage of being open to direct submissions in relation to particular cases from individual officers, the DFAT Family Liaison Officer or a union representative.

10.45 It is clear that individual cases which raise unusual issues currently face unpredictable treatment and often lengthy delays. Delays can occur because an individual case does not have sufficient priority relative to the general issues facing the decision-making bodies or because the broader implications of the case require consideration and consultation. Concentrating responsibility for the consideration and determination of overseas conditions in one, representative body should remove many of the disadvantages of the present fragmented system and reduce the potential for delays. These disadvantages are graphically illustrated in the case study below. Officers and their families who are sent overseas by the Government should not suffer because specific difficulties they encounter are unusual or not easily handled in the official system.

10.46 Locating the body within the Industrial Relations Portfolio would retain a connection between Australian and overseas conditions and the independence from DFAT necessary for the proper setting of overseas conditions. DFAT suggested that the Department of Finance be represented in the body that sets overseas conditions and other parties either supported this suggestion or expressed no objection to it. **The Committee therefore recommends that responsibility for the setting and administration of overseas conditions of service be transferred from DIR to an independent body within the Industrial Relations Portfolio comprising members drawn from the OOAs, the Department of Finance and DIR itself.**

10.47 The Committee noted that there was universal agreement, including from a private sector expert, on the desirability of standardising core conditions. Achieving standardisation through the establishment of an award, as suggested by the PSU, would have the advantage of using the same mechanisms in relation to overseas conditions of service as are used to standardise Australian conditions.

10.48 Lack of consultation was a widespread complaint about the current arrangements. The complaint was voiced mostly in the context of inadequate past consultation between DIR and the OOAs, although the PSU also complained strongly about internal

consultative arrangements in DFAT and DILGEA. The establishment of an independent body to determine overseas conditions would improve consultation between the OOAs and central agencies but the need for consultation within the OOAs will remain and increase to the extent that devolution also takes place. **The Committee recommends that all OOAs which do not already have a management-staff consultative body with specific responsibility for overseas conditions should establish one. This might conveniently take the form of a sub-committee of an established management-staff consultative committee.**

#### **Case No. 6: DIR/DFAT relationships in conditions of service**

One case raised with the Committee illustrates the way in which the concerns of individuals about aspects of conditions of service can become caught up in interdepartmental negotiations.

Douglas Townsend, Australia's ambassador to Hungary, raised with a joint DIR/DFAT inspection team in 1990 his concern with a rule that restricted assistance with boarding school expenses of children of officers posted overseas to schools in Australia or the UK. Mr Townsend's problem was that the only international school in Budapest did not offer a curriculum past grade 8. It was therefore necessary for him to arrange for his two eldest children to attend a boarding school. He had suggested two options to DFAT: weekly boarding at a school in Vienna, which had the advantages of proximity to Budapest and of being co-educational, or full board at a school in Dublin, also co-educational and having a curriculum similar to that in which the children had already been educated. He was told, however, that he could only receive assistance with boarding expenses if the children were to attend a school in Australia or the UK.

In the event Mr Townsend secured boarding school places for his two older children and, in due course, the two younger children as well, in the UK which allowed better prospects for family reunion than the Australian alternative. However, this involved placing the children in single sex schools and, in the case of the three older children, the need to repeat one year of schooling as a result of the change of curriculum.

Mr Townsend argued that, whatever may have been the historical reasons for restricting assistance to British and Australian schools, "one might have thought that, in these deregulated days, the officer could have been provided an amount (equivalent to that for the 'marker' school) to be applied to the education of his/her child wherever was optimum from the family/child perspective" (Evidence, p. S917).

The Committee sought comment on this case from DIR and DFAT. DIR responded that it had been agreed following the visit of the DIR/DFAT team to Budapest that, because of the wider policy implications of the issue, DFAT would examine it initially and make a submission to DIR if it considered the case had merit. No such submission had been made but DIR in 1992 had extended the assistance provisions to cover schools outside Australia or Britain in special cases following representations in respect of another case made by the Australian Defence Force (Evidence, p. S1223). DFAT's written response was uninformative (Evidence, p. S1160) but the Committee established at a subsequent public hearing that the Department had not pursued the matter with DIR because:

the existence of a provision for boarding school in England was seen to be open to threat because there was an argument at that stage that we should only have boarding school provisions for people to be educated in Australia. The concern at that stage was that if this was raised as an issue, one of the obvious solutions was to rule out England as an option for boarding schools. It was considered that, not so much for people in western Europe but for people in eastern Europe at that time, that would present a real difficulty for our officers (Evidence, p. 749).

10.49 This case points to the difficulties that can arise in the three-way relationship amongst officers, the agencies that employ them and the central agencies. The sensible solution from the point of view of Mr Townsend, his family and DFAT would have been approval of assistance with boarding costs in Vienna. Not only would there have been obvious advantages for the family concerned but such an arrangement could well have cost the Government less than the unsatisfactory compromise that was eventually made. Part of Mr Townsend's problem arose because he had accepted a posting to Budapest from another overseas post at which his children had been receiving education as day students at an international school. Since DFAT often expects its officers to undertake sequential postings, any factors likely to affect the willingness of officers to do so could be expected to have adverse effects on the Department's operations. A sensible arrangement could certainly have been made in this case with costs limited to those that were eventually incurred in any case.

10.50 DFAT's attempt to preserve the anachronistic entitlement to boarding school assistance in the UK, admittedly for reasons of contemporary value to some of its staff, had detrimental effects on at least one officer and his family. DIR's passive acceptance of DFAT's decision not to pursue a matter originally raised with both departments does it no credit. The public service system for dealing with the conflict of interests in cases like this can clearly be cumbersome, slow and insensitive to the concerns of individuals. In the event, Mr Townsend was fortunate that he was able to find an acceptable option, albeit an inconvenient and disruptive one, for educating his children before they had grown up while waiting for DIR/DFAT to resolve the issue. It appears, in any case, from

the results subsequently achieved by the Australian Defence Force that DFAT's tactical decision not to support Mr Townsend's request was ill-judged. The case indicates the importance of establishing more effective mechanisms for responding to the concerns and problems of individual officers and their families, a role which the Committee believes would be appropriately filled by the independent body proposed above.

10.51 On the substantive matter raised in this case, the Committee believes that DIR acted correctly in extending to departmental secretaries the flexibility necessary to meet the needs of individual officers, subject to an appropriate cost limit. However, as is always the case when such powers are devolved, the potential now exists for officers to be treated differently depending on the department or agency in which they are employed rather than the circumstances of their case. The Committee believes that the rules relating to educational assistance could be standardised in a way likely to be more satisfactory to all parties. **The Committee recommends that the anachronistic general entitlement to boarding school fees at any school in the UK or Australia be replaced by an entitlement to assistance with boarding expenses associated with education at any school provided the officer can justify the need to board a child or children and subject to an upper limit on the Australian Government contribution equivalent to the limit that currently applies in relation to boarding school fees in Australia.**